Beneficial Corporation

Annual Report 1973

As consumer needs grow, Beneficial grows.

Beneficial Corporation
Beneficial Building
Wilmington, Delaware 19899

Beneficial Corporation, a Delaware corporation, is a holding company. Its subsidiaries are divided into two operating categories, a Finance Division and a Merchandising Division.

The Finance Division consists principally of the loan and finance offices, which engage in the consumer loan and sales finance business in the United States, Canada, England, and Australia. The other subsidiaries in the Finance Division are engaged in insurance, primarily credit life and credit accident and health, the operation of a commercial bank, and real estate holding.

The Merchandising Division is made up of wholly-owned subsidiaries, Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. Western Auto carries on a nationwide business, selling a variety of merchandise, principally durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Spiegel, Inc. is engaged in the sale of merchandise, primarily soft goods, through catalogs, by mail and through order stores.

Contents

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Tuesday, April 30, 1974 at 11 a.m. Wilmington time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation 1973 Annual Report

Highlights

During the Year	**1973**	1972	% Increase (Decrease)
Net Income	**$ 73,661,000**	$ 82,812,000	(11.1)
Dividend Requirements on Preferred Stocks (primary)	**$ 10,015,000**	$ 10,120,000	(1.0)
Earnings Available for Common Stock (primary)	**$ 63,646,000**	$ 72,692,000	(12.4)
Number of Common Shares Outstanding (average) (primary)	**18,705,000**	18,413,000	1.6
Earnings per Common Share (primary)	**$3.40**	$3.95	(13.9)
Earnings per Common Share (fully-diluted)	**$2.96**	$3.33	(11.1)
Dividends Paid per Common Share	**$1.20**	$1.10	9.1
Loans Made and Contracts Purchased			
Loan and Finance Offices			
Amount*	**$1,739,432,000**	$1,632,869,000	6.5
Number	**2,177,000**	2,150,000	1.3
Average Amount of Transaction*	**$799**	$759	5.3
Net Sales and Other Revenue			
Western Auto	**$ 631,629,000**	$ 566,579,000	11.5
Spiegel	**$ 421,664,000**	$ 421,352,000	0.1

At Year End			
Loan and Finance Offices			
Finance Receivables*	**$1,700,696,000**	$1,579,689,000	7.7
Number of Accounts	**2,250,000**	2,223,000	1.2
Average Account Balance*	**$756**	$711	6.3
Number of Offices	**1,814**	1,814	—
Number of Company-owned Stores Western Auto	**544**	529	2.8
Number of Associate Stores Western Auto	**4,249**	4,101	3.6
Number of Employees	**32,900**	33,100	(0.6)
Number of Holders of Common Stock	**29,300**	29,300	—
Dividend Rate per Common Share (annual)	**$1.25**	$1.10	13.6

**After deducting unearned finance charges.*

To Our Shareholders

CECIL M. BENADOM   EDGAR T. HIGGINS

The year 1973 was characterized by a high and sustained rate of inflation, adversely affecting industry in general. Although the activity of Beneficial's subsidiaries, operating as its Finance and Merchandising Divisions, surpassed the prior year's record in terms of receivables and sales, operating costs rose at a faster rate than income. Consolidated Net Income declined by 11.1% from 1972's all-time high of $82.8 million to $73.7 million, resulting in Beneficial's second best year. Translated into Earnings per Common Share (primary), the results were $3.40 per share as compared to $3.95 per share in 1972. By reason of conversions of $5.50 Dividend Cumulative Convertible Preferred Stock into Common shares, Earnings per Common Share (primary) were reduced by $.05.

Consolidated Net Income of Beneficial was burdened by increased operating expenses common to both of its divisions, such as increases in short-term interest rates on borrowed funds, salaries and employee benefits, provision for possible credit losses, and operating expenses in general.

The Finance Division, consisting of the loan and finance office subsidiaries and related insurance operations, contributed 71.4% to Consolidated Net Income. Its net income of $52.6 million was $6.1 million (10.3%) less than it was in 1972. During the year the volume of loans made and contracts purchased by the loan and finance offices increased 6.5% to $1,739 million, resulting in receivables of $1,701 million at the end of 1973. Combined net assets dedicated to insurance operations, premium income, insurance in force, and net income posted substantial gains; the latter increased 29.8% to $7.4 million.

The Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc. and their subsidiaries, contributed 28.6% to Beneficial's Consolidated Net Income. Its 1973 Sales and Other Revenue of $1,053 million, represented a gain of 6.6% over the prior year. As a result of price controls as well as increased expenses previously mentioned above, net income of $21.1 million was 12.8% less than for 1972.

During 1973 the Board of Directors increased the quarterly dividend rate on the Common Stock twice. Commencing with the March 31 payment, it was raised from $.275 to $.2875 and with the September 30 payment to $.3125, for a current annual rate of $1.25 per share.

The inflation-bred problems of 1973 have carried over to and are likely to prevail throughout 1974. Management of both Divisions will strive to balance drive for growth with expense discipline. Customer credits and collections will continue to receive careful attention. The focus will be on the most profitable segments of business. Beneficial is well aware of the uncertainties ahead and is prepared accordingly.

For the Board of Directors,

Edgar T. Higgins

Chairman of the Board

Cecil M. Benadom

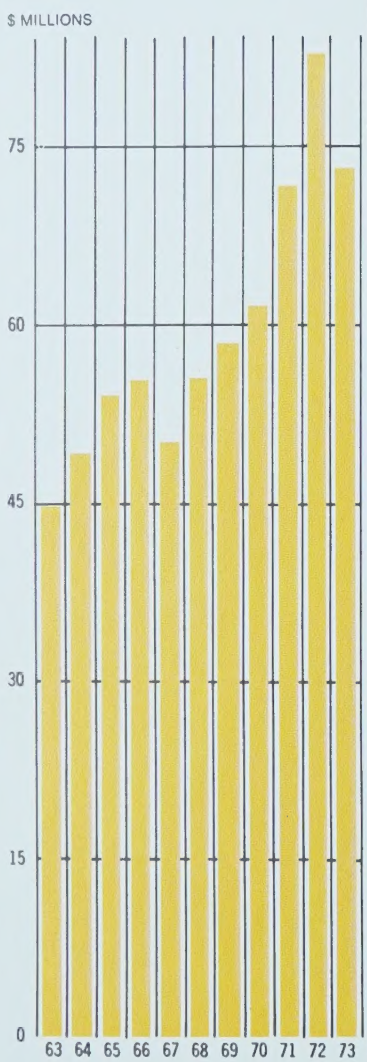
President

March 1, 1974

Earnings and Dividends

Consolidated Net Income

1973	$73,661,000
1972	82,812,000
1971	71,713,000
1970	61,521,000
1969	58,454,000
1968	55,523,000
1967	50,506,000
1966	55,264,000
1965	54,088,000
1964	49,265,000
1963	44,884,000



The year 1973 was not Beneficial's best, but it was a good one. Although Net Income for 1973 was below that of 1972 by 11.1%, 1973 was Beneficial's second best year as to Net Income and Earnings per Common Share (primary).

Net Income for 1973 was $73.7 million compared with $82.8 million for 1972. Earnings per Common Share (primary) were $3.40 compared with $3.95 for 1972. On a fully-diluted basis, Earnings per Common Share were $2.96 for 1973 and $3.33 for the prior year. The impact of higher interest rates for the Finance and Merchandising Divisions combined accounted for a decline of $5.7 million in Net Income—$.30 Earnings per Common Share (primary).

Both Divisions—Finance and Merchandising—had a less successful year. The decline of $6.1 million in Finance Division net income represents a decrease of 10.3%. Income from Merchandising Division declined by 12.8%, the decrease amounting to $3.1 million.

Income from Finance Division, comprised primarily of the loan and finance offices and the related insurance operations, declined as shown in the table below:

	Increase (Decrease) (in millions)	% Increase (Decrease)
Revenue:		
Loan and Finance . . .	$35.8	10.9%
Insurance	6.0	13.5
Other	(2.4)	(79.1)
Total	39.4	10.5
Expenses:		
Interest	15.2	20.7
Salaries and Employee Benefits	5.6	6.8
Provision for Possible Credit Losses	6.7	19.7
Benefits Paid and Provided For—Insurance .	7.7	34.0
Advertising, Telephone, Postage, Rent, and Other	5.4	8.6
Provision for Income Taxes	4.9	11.1
Total	45.5	14.3
Income from Finance Division	$(6.1)	(10.3)

The decline in Income from the Finance Division is attributable primarily to higher interest rates in 1973, increases in operating expenses—primarily Provision for Possible Credit Losses and increases in Benefits Paid and Provided For—Insurance. In addition, the effective rate of Federal income tax for 1973 is greater than that of 1972, primarily because of additional tax provision for prior years and changes in income mix as to rate of tax for the insurance subsidiaries and prior year adjustments relating to them.

Income from Merchandising Division declined as follows:

	Increase (Decrease) (in millions)	% Increase (Decrease)
Net Sales and Other Revenue	$65.4	6.6%
Cost of Goods Sold and Operating Expenses . .	66.9	7.4
Net Operating Income . .	(1.5)	(1.8)
Interest Expense	5.3	15.1
Income before Taxes on Income	(6.8)	(14.5)
Federal and State Income Taxes	(3.7)	(16.3)
Income from Merchandising Division	$(3.1)	(12.8)

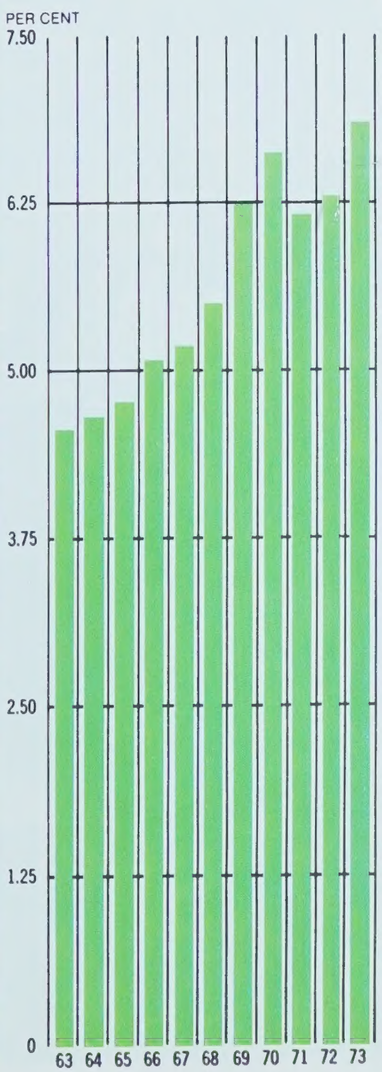
The most significant factors for the decrease in Income from the Merchandising Division are higher interest rates, limitations on needed price increases imposed by Phase IV of the Economic Stabilization Program, inventory imbalances caused primarily by suppliers curtailing production of low-profit merchandise as a result of Phase IV limitations and scarcity of certain raw materials, and costs and start-up expenses of Western Auto resulting from the closing of old and moving into new distribution centers.

Dividends were paid in 1973 as due on all Preferred Stocks and quarterly on Common Stock. The dividend rate on Common was increased from 27.5¢ to 28.75¢ with the March 1973 payment and with the September 1973 payment to 31.25¢ quarterly (annual rate from $1.10 to $1.25), bringing about an increase of 9.1% in the dividends paid per share in 1973 and an increase of 13.6% in the year-end rate. The record of consecutive quarterly dividend payments on Common Stock has now reached 178.

Financial

Interest Expense—
Effective Rate

1973	6.86%
1972	6.30
1971	6.17
1970	6.63
1969	6.26
1968	5.49
1967	5.18
1966	5.08
1965	4.77
1964	4.66
1963	4.57



The debt of the Company and consolidated subsidiaries increased in 1973 by $60.8 million. Borrowings at December 31, 1973 totaled $1,618.9 million, comprised of $240.6 million of short-term notes payable, $25.0 million of employees' thrift accounts, $103.2 million of long-term debt maturing in 1974, and debt of $1,250.1 million maturing after 1974. The latter represented 77.2% of all debt. Although Beneficial is somewhat insulated from cyclical swings in short-term interest rates because of its philosophy of financing long-term growth with retained earnings and long-term debt, increasing interest rates in 1973 penalized Earnings per Common Share (primary) by $.30.

Short-term notes payable at December 31, 1973 consisted of $119.8 million from banks and commercial paper of $120.8 million. Average borrowings during the year were $55.5 million at banks and $168.0 million of commercial paper. Short-term interest rates reached historic highs in 1973.

The average rate of annual interest expense in 1973 for the Finance Division—giving effect to compensating balances at banks—was 6.75%, which compares to 6.20% for 1972. The average interest rate at December 31, 1973 for notes then outstanding was 9.83% for banks, 9.30% for commercial paper, and 6.43% on Long-Term Debt. The maximum amount of Short-Term Notes Payable as of any month end was $254.6 million. The Company and consolidated subsidiaries maintain in excess of $350 million in lines of credit (see Note 3 to Financial Statements).

During 1973 a long-term debt issue of $75 million 7½% Debentures due May 15, 1998 was sold at a premium price of $100.25 to yield the investor 7.48%. Of the $1,353.3 million long-term debt at year end, $903.9 million will be outstanding until 1979 or beyond and has an average interest cost of 6.11%.

Western Acceptance Company, a subsidiary of Western Auto Supply Company, has filed with the Securities and Exchange Commission a registration statement for the public offering of $50 million of Debentures due in 1994, the proceeds of which would be used to purchase receivables from company-owned and associate stores of Western Auto Supply Company. It will proceed with the offering when conditions warrant.

The insurance subsidiaries are consolidated in the financial statements for the first time in this annual report, to conform to the Finance Industry Audit Guide issued recently by the American Institute of Certified Public Accountants (AICPA), adopted for financial reporting.

The classification and distinction between current and non-current assets in balance sheets of finance companies have been discontinued in conforming to the Finance Industry Audit Guide.

The Company has developed an improved Cash Management System to more effectively control and utilize cash in the loan and finance offices by further utilizing Bencom, its centralized data processing network. Savings in interest expense through a reduction in borrowed funds and auxiliary benefits in the elimination of certain clerical work and responsibilities in the offices are expected. The System was introduced in January 1974 to a test group of offices in one section of the United States and will be expanded throughout the remainder of the United States as rapidly as possible.

Finance Division

The Finance Division, consisting of the loan and finance offices and the related insurance operations, contributed 71.4% of Consolidated Net Income.

Revenue of the Division increased 10.5%, from $376.9 million in 1972 to $416.3 million, but net income was adversely affected by prevailing inflationary pressures and other factors indicated on Page 2 and decreased from $58.7 million in 1972 to $52.6 million. There was also an impact on net income by reason of an increase in the effective rate of Federal income tax as set forth in Note 10 to Financial Statements.

Loan and Finance Offices

The loan and finance offices make consumer loans to individuals pursuant to consumer finance laws, which include "small loan laws" and other statutes authorizing larger loans. They also purchase instalment sales contracts evidencing time sales of merchandise and services, known as the sales finance business, and engage in related activities.

The loan and finance offices do business on an international scale through 1,814 offices, 1,499 of which are in the United States, 5 in Puerto Rico, 234 in Canada, 54 in Australia, and 22 in England. By the end of 1973 their activity showed gains in terms of dollar amount of receivables as well as number of customers served. Although revenue derived from the loan and finance offices increased from $330.1 million to $365.9 million, a gain of 10.9%, net income for 1973 was $44.5 million compared to the

prior year's $50.0 million, a decrease of 11.0%.

An increase of 27,000 transactions involving loans made and contracts purchased, 1.3% ahead of the preceding year, resulted in 7.7% increase in the amount of receivables, after deducting Unearned Finance Charges, at the end of 1973. Such receivables totaled a record $1,701 million as compared to $1,580 million at the end of 1972. Approximately 94% of the receivables were derived from the making of loans under consumer loan laws and the remainder was derived from the sales finance business.

Although the average maturities of loans made increased, loan balances paid-out at a somewhat quicker rate as indicated by monthly cash principal collections as a percentage of average net receivables. Such collections increased from 4.77% to 4.80%, so that by year end $937 million was collected, representing an increase of $87 million, 10.3% over 1972's $850 million. This occurred despite an increase during 1973 in loan receivables more than two months delinquent from .99% to 1.15%.

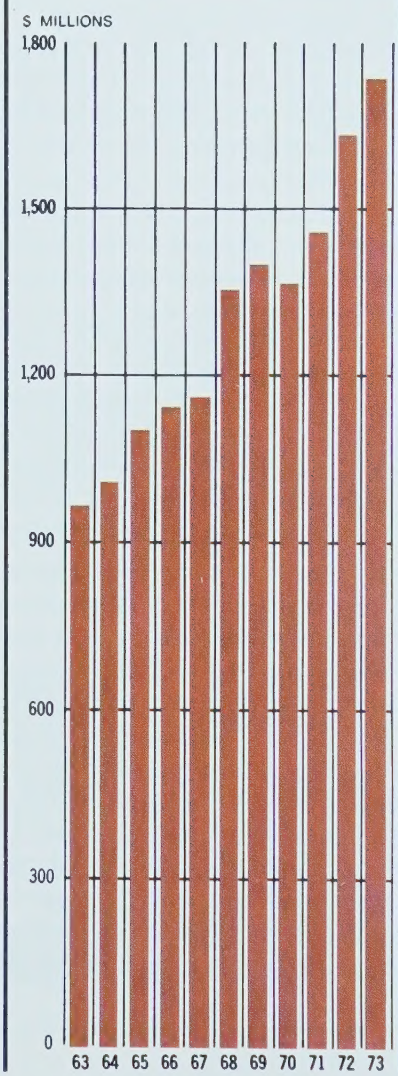
During 1973 substantial endeavors were made to improve the profitability of the loan and finance office operations. Forty-six offices not making an adequate return on their investment were closed. New offices were opened in 46 promising locations as the result of market surveys. Proven business developers, such as the sales finance business, which involved the purchase of 560,000 contracts for $184 million, and the Beneficial Income Tax Service, offered in the United States and Canada, which prepared approximately 172,000 returns, expanded their activities. The tax preparation service led to $32 million in gross loans.

A number of successful experiments in the form of pilot operations was either instituted or expanded. In mid-year the Beneficial Executive Loan Service, which makes unsecured loans by mail up to $15,000, primarily to professionals and executives, is being widened from a single state to many additional states. A uniform credit scoring system designed to streamline loan service, improve credit decisions, and expedite office supervision is being expanded throughout the United States and Canada. The Full Financial Service Center pilot program, offering a range of loan and conventional insurance programs along with tax return preparation, money orders, travelers checks, and aid in family budgeting, is presently being offered in well over 100 offices. It will be expanded on a selective basis. Studies to enhance the image of the loan and finance offices have resulted in an attractive new interior look which eventually will be standard for all offices. Extensive testing is going on for new style exteriors for ground floor locations.

The loan and finance offices benefited from the continued emphasis on the making of larger loans with longer maturities. Although the average interest rates on such loans are less than those on smaller loans, they are

Volume in Loan and Finance Offices

1973	$1,739,432,000
1972	1,632,869,000
1971	1,461,770,000
1970	1,368,832,000
1969	1,402,672,000
1968	1,352,295,000
1967	1,162,047,000
1966	1,148,152,000
1965	1,105,807,000
1964	1,009,598,000
1963	960,726,000



more profitable because of the substantial savings in the operating cost per dollar loaned. While the average loan made increased from $900 to $962 with a maturity of 34.6 months as against the preceding year's 33.6 months, the percentage of loans made in excess of $2,000 increased from 26.5% in 1972 to 29.7%. The average size of sales finance contracts purchased in 1973 was $328 with a maturity of 18.2 months as compared to $312 and 19.4 months for 1972.

In 1973 the legislatures of three states, in which 14.7% of the loan and finance volume was done, recognized the demand for larger loans by amendments to their respective consumer finance acts under which the loan and finance offices do business by increasing the maximum loan to $2,500.

Despite the gain of $121 million, Beneficial's share of the $41.4 billion market for consumer loans in the United States decreased from 4.05% to 3.85%. While the national growth in this market was 12.2%, Beneficial's share declined, reflecting keen competition and Beneficial's recognition of the strain placed upon the consumer by increasing inflation.

The increasing volume of loan and finance business made the installation of the centralized data processing network essential. By year end, all of the approximately 1,500 mainland United States offices and Hawaii were "on line" with the Division's centralized data processing network, Bencom. In the Spring of 1974 all of the Canadian offices are scheduled to go on line, so that the entire Bencom network will then constitute over 1,700 offices. Bencom, which relieves the offices of many accounting and clerical tasks, makes possible increased employee productivity in other loan and finance activities. It has facilitated new programs, among which is the new program of internal Cash Management as described on Page 3. Bencom is playing an increasingly important part in the collection process.

Beneficial—as a service industry—fully appreciating the value of competent personnel, puts a premium on and advances those who have learned to accept responsibility, inspire confidence and enthusiasm, and who are able to lead others by sound example. Accordingly, the personnel policy of the loan and finance offices continues to be based on leadership, planned training, and motivation. Employees, as they progress, are encouraged to take training courses "for the job ahead" prepared by Beneficial Management Institute. The instructive materials, calling on the vast experience of Beneficial in the consumer finance industry, are geared to all phases of loan and finance office operations. On the job training by experienced executives and other knowledgeable employees, involving exposure to the many facets of the business, plays an important part in employee development.

Various incentive programs, with awards based on office performance, stimulate enthusiasm and a competitive spirit among the offices. An established policy of promotion from within, based on performance, presents many opportunities for advancement and tends to retain good employees. Concern with these matters was evidenced by the introduction during 1973 of a comprehensive management identification and personnel resources program providing for a systematic evaluation of performance related to results. This program, which takes advantage of the capabilities offered by Bencom, is part of a continuing high priority effort to identify, hold, and advance those individuals who contribute to the achievement of the corporate profit objective.

The inflationary conditions prevailing during 1973 brought into focus the basic principle of successful loan and finance office operations—balanced operating. The foremost variables of balanced operating—maintaining and increasing volume, collections, and control of operating expense—must be consistent with concern for the foreseeable future as well as the present so that the best operating results in the existing economy will be attained. Beneficial knows that during the period of uncertainty and inflation that characterized 1973 and appears to be coloring 1974, balanced operating is more important than ever.

Unearned Finance Charges

The total of Unearned Finance Charges on Finance Receivables represents the deferred income which is transferred to income as monthly collections are received on the account balances of dollar-cost loans and instalment sales contracts.

The great majority of Finance Receivables come into being on what is variously called a discount, add-on, or precompute basis (herein referred to as dollar-cost). A borrower, or the seller of an instalment sales contract, receives in cash the amount of the obligation less interest or time-price differential and other charges, if any, deducted in advance. The sum of these deductions goes into Unearned Finance Charges and other charges. As each monthly payment is received, part of it is applied to principal and part to interest, the latter of which is then transferred from Unearned Finance Charges to income.

Unearned Finance Charges as % of Related Net Finance Receivables at the end of 1973 stood at 27.80% as compared with 27.68% for 1972. The factors affecting this relationship are primarily the average rate of interest or time-price differential on receivables, the recency of acquiring them, and the average term (scheduled period until an account should become fully paid). The primary reason for the increase in the percentage during 1973 is the increase in scheduled maturity (from 32.5 to 33.8 months). The percentage increase held as small as it was because of the decrease in the recency of acquiring the receivables, as indicated primarily by the volume of receivables acquired (less Unearned Finance Charges) of $358.0 million in the fourth quarter of 1973 as compared with $398.7 million in the last quarter of 1972.

	Net Receivables*			Unearned Finance Charges	
		Dollar-Cost Basis			
At Year End	Total	%	Amount	Relating Thereto	As % of Related Net Receivables
		(amounts in thousands)			
1973	$1,700,696	79.75%	$1,356,231	$377,078	27.80%
1972	1,579,689	81.58	1,288,659	356,641	27.68
1971	1,441,331	81.11	1,169,103	313,847	26.85
1970	1,366,537	79.61	1,087,908	273,423	25.13
1969	1,267,075	79.15	1,002,918	249,325	24.86

*After deducting Unearned Finance Charges.

Reserve for Possible Credit Losses

The loan and finance offices experienced in 1973 their most unfavorable year as to charge-offs for some time, as did the industry generally. For Beneficial the situation was significantly regionalized. As noted in the table, charge-offs after offsetting recoveries as a percent of average gross receivables were 1.82% for 1973 compared with 1.56% for 1972. This condition was caused by several factors, the most important of which are believed to be: disruptions in collection effort caused by converting offices to the computer network, a slackening generally—not solely related to inability—among Beneficial customers and debtors in general in the effort to clear up their obligations, some borrowers overloading themselves with debt, less viable resources available to the creditor to collect on difficult accounts, and the "squeeze" on the borrower caused by increasing inflation.

It is believed that 1974 will be a difficult year as to collections. Management is taking steps to help in improving the situation. These include a re-emphasis on collection effort and the following of proven procedures, wider adoption of an improved system regionally in use in 1973 in judging credit worthiness, and a more prompt and accurate indication of delinquency in payment through the use of Bencom.

			Finance Receivables Charged Off After Offsetting Recoveries**		Reserve for Possible Credit Losses at End of Year	
Year	Provision for Possible Credit Losses* (Charged To Income)	Gross Amount of Finance Receivables Charged Off	Amount	% of Average Gross Finance Receivables	Amount	% of Net Finance Receivables
		(amounts in thousands)				
1973	$44,288	$39,887	$36,355	1.82%	$86,736	5.10%
1972	37,876	32,265	28,431	1.56	82,154	5.20
1971	32,191	29,675	26,050	1.57	76,448	5.30
1970	28,111	24,831	22,061	1.40	73,657	5.39
1969	26,038	19,832	17,051	1.22	69,625	5.49

*Before offsetting recoveries of finance receivables previously charged off.
**Recoveries on finance receivables previously charged off are credited to Provision for Possible Credit Losses.

Insurance Operations

Beneficial's principal insurance subsidiaries, Guaranty Life Insurance Company of America and Central National Life Insurance Company of Omaha, are engaged primarily in the insuring of credit life and credit accident and health risks. Other companies reinsure property and casualty risks or act as insurance brokers and agents in the writing of property and casualty insurance and as premium financing agencies.

While The Central National Life Insurance Company of Omaha and Guaranty Life Insurance Company of America are both engaged primarily in insuring or reinsuring credit life insurance and credit accident and health insurance, Central National Life also has approximately $37.0 million of ordinary life insurance in force and Guaranty Life is the reinsurance carrier on approximately $137.0 million of ordinary life.

Beneficial Financial Insurance Company is a small but growing casualty insurer accepting fire, property, and automobile reinsurance.

The accepted criteria for measuring insurance company strength and progress are premium income, assets, and insurance in force. In each of these categories the insurance group had substantial increases in 1973. Premiums written from all sources for 1973 was $54.0 million compared to $46.3 million in 1972. Combined assets reached $108.1 million. Life insurance in force at year end amounted to $2,470 million, of which 21.1% was conventional rather than credit related coverage.

Net income of insurance companies was $7.4 million in 1973 compared with $5.7 million, after restating 1972 income to a "Generally Accepted Accounting Principles" (GAAP) basis (see Note 1 to Beneficial's Financial Statements). It should be noted that a portion of previously reported net income of $10.5 million of insurance companies has been transferred to the finance subsidiaries in connection with GAAP adjustments. As of December 31, 1973 loan and finance office customer balances covered by credit life insurance totaled $1,858 million and receivables amounting to $1,297 million were covered by credit accident and health insurance. Some receivables continue to be insured by independent carriers and not reinsured. Life and accident and health benefits paid to loan and finance office customers totaled $25.3 million for the year.

In 1973 the insurance subsidiaries undertook the direct writing of credit life and credit accident and health insurance on customers of the loan and finance offices in 35 additional states. These coverages had heretofore been written directly by independent insurers, most of which was

reinsured by either Central National Life or Guaranty Life. Improvement in income and service is expected to result therefrom. Furthermore, the expansion of administrative capability needed for the conduct of this business on a direct basis provides at the same time the basis for the further expansion of insurance business both within and outside the loan and finance offices.

In 1973 foreign insurance activities were significantly expanded. Credit life insurance was introduced in the Beneficial offices in England and credit life and accidental death insurance was instituted in Australia. Early indications are that these insurance programs will attain the same degree of customer acceptance as has been evident elsewhere. This insurance is offered through independent insurance companies abroad.

Casualty insurance operations continue to expand under strict planning, primarily through the introduction of fire, household contents, and automobile loan related coverages through the network of Beneficial loan and finance offices. Credit property insurance premiums written by unaffiliated insurance carriers were $9.5 million in 1973 compared to $8.2 million in 1972. As with credit life and disability insurance, the purchase is optional with the borrower. Most of this business generates commission income and the remainder is reinsured with subsidiary companies.

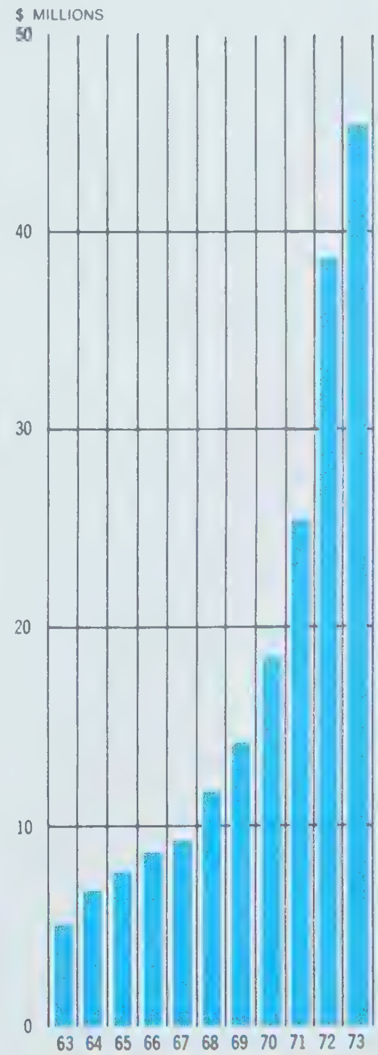
During 1973 increasing insurance activities and the expansion of insurance offerings combined with the assumption of many direct writing programs necessitated the employment of additional personnel and the need for more office space. Consequently, on July 1, 1973 all insurance staff activity was consolidated in larger quarters in Morristown, New Jersey.

During 1974 the expanded capabilities in insurance will be further increased. The direct sale and processing of credit life and credit accident and health insurance to independent creditors not affiliated with Beneficial were successfully launched in 1973 and will be expanded.

Beneficial Financial Insurance Company is being expanded into a direct writer of property and casualty coverages. Products which are best adapted to the marketing facilities of the Merchandising Division in addition to those of the Finance Division are being developed. These marketing facilities offer a unique opportunity in this area.

Premium Income

1973	$44,542,000
1972	37,913,000
1971	24,975,000
1970	18,172,000
1969	13,961,000
1968	11,642,000
1967	8,917,000
1966	8,389,000
1965	7,591,000
1964	6,620,000
1963	4,984,000



Merchandising Division

The Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc. and their subsidiaries, contributed 28.6% to Consolidated Net Income.

The Division felt the impact of increasing inflation, higher interest rates, higher operating expenses, and government controls. Its Net Sales and Other Revenue for 1973 was up 6.6% from $987.9 million to $1,053.3 million, but its net income was down by 12.8% from its prior year's $24.2 million to $21.1 million.

Western Auto Supply Company

Western conducts a nationwide merchandising business, selling a wide variety of merchandise, primarily durable goods, at retail in its own stores located in many major communities and at wholesale to independently owned and operated associate stores located in smaller communities. Most of the merchandise bears trademarks or brands owned by Western, such as Davis for tires, Truetone for TV and stereos, Wizard for household, automotive, hardware, and gardening products, Revelation for sporting goods, Treasure House for furniture, and Western Flyer for bicycles.

Western's Sales and Other Revenue of $631.6 million for 1973 surpassed its prior record year of $566.6 million, a gain of 11.5%. Its net income of $15.1 million was down by $2.0 million, 12.1%, from 1972's record of $17.1 million. Profit margins were adversely affected by strong competitive forces and non-recurring expenses in connection with the realignment of distribution centers. The impact of Phase IV of the Economic Stablization Act on earnings was unfavorable because Western was not able to raise its prices on most of its lines of merchandise to cover increased costs completely.

Western's retail business, carried on by 544 of its own stores, had another good year in 1973 as evidenced by a 5.7% increase in the number of transactions and an increase of $14.9 million in Sales and Other Revenue to $210.3 million, well above the $195.4 million record performance for the prior year. The number of company-owned stores increased by 15 during the year. It continued to provide proven credit plans effective enough to account for 53.0% of all retail sales. Self-service and continued emphasis on specialty shops for sports, home, and garden merchandise within its stores, and the extension of the concept to established stores made a positive contribution. A new and promising development was the emphasis on the up-dating and expansion of automobile repair service facilities designed to capture a larger share of that market and to make related sales.

The favorable effect of these and many other programs is also shown by the 4.8% increase in average sales per store.

Wholesale Sales and Other Revenue in 1973 derived from 4,249 associate stores also reached a new high of $421.3 million as compared to $371.2 million, an increase of 13.5%. Deferred credit sales accounted for 32.0% of sales volume. The Western Associate Store Plan features assistance in financing, site selection, store planning, a training center for new owners of stores, sales promotion, merchandise selection, merchandising, and several deferred payment plans. The success of this Plan has enabled Western to increase substantially the number of associate stores in recent years. During 1973 there was an increase of 148 in the number of associate stores. In 1973 Western sponsored semi-annual regional merchandising shows in 25 different locations and more than 3,700 owners attended at least one of them.

Quantity and quality of merchandise and its availability is of major importance to Western. A staff of buyers, each of whom is expert in his specialty line, each year purchases in total approximately 14,000 items from some 1,500 suppliers and is able to select quality merchandise at competitive prices. A long-range program, begun in 1969 to improve the strategic location and serviceability of its distribution centers, will be completed during 1974. The number of distribution centers will then have been reduced from 16 to 10 larger facilities. Timely delivery of merchandise to the stores is provided by Western's privately operated truck fleet, part of which it owns and the remainder of which is leased.

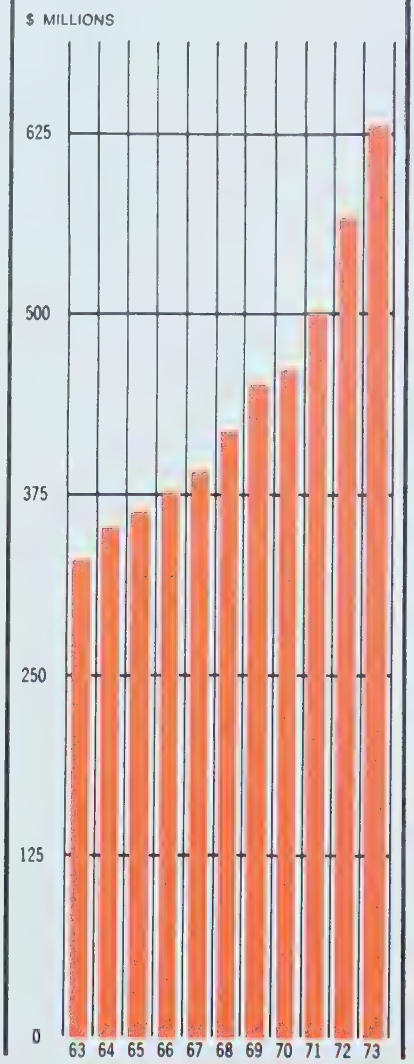
Western Acceptance Company, which formerly has purchased only receivables covering credit sales by associate stores, plans this year to purchase all receivables from company-owned stores as well. At the end of 1973 it filed a registration statement with the Securities and Exchange Commission for the public offering of $50 million Debentures due 1994. It expects to proceed with the offering when in its judgment market conditions are advantageous. It is anticipated that upon completion of the financing, it will have nearly $200 million of receivables.

Midland International Corporation, an importing and sales subsidiary, divisions of which are engaged in the sale to Western and others of electronics, sporting goods, tools, automotive accessories, and sound equipment, reported record sales of $78.0 million, an increase of 21.8%, resulting principally from sales to non-affiliates in the United States, and net income of $1.0 million, a gain of 9.3%. Its subsidiary, Eva Gabor International, Ltd., is engaged in the business of importing and selling at wholesale and retail women's wigs, hair pieces, and accessories, and introduced late in 1973 a new line of high fashion at-home dresses. Its sales of $5.2 million and net income of $.4 million, included in Midland's figures above, represented gains for 1973 of 30.2% and 17.9% respectively.

While Western anticipates a year of difficulty characterized by shortages of merchandise, increasing expenses, and changing demands, it will use its specialized skills to overcome these conditions and to improve its operations.

Net Sales and Other Revenue

1973	$631,629,000
1972	566,579,000
1971	498,942,000
1970	461,069,000
1969	450,667,000
1968	418,826,000
1967	391,656,000
1966	376,323,000
1965	363,016,000
1964	352,917,000
1963	329,773,000



Spiegel, Inc.

Spiegel engages in the sale of merchandise, primarily soft goods, through catalogs, principally by mail and through order stores. It sells many products with nationally-known trade names and brands. Each Spiegel catalog features quality merchandise for every member of the family and for every home with many of America's most wanted national brands throughout.

Sales and Other Revenue of $421.7 million were only slightly changed from the $421.4 million recorded in 1972. More selective credit policies and problems of merchandise availability were primarily responsible for the absence of a significant increase.

Net income in 1973 was $6.0 million compared to $7.0 million in 1972. The factors which penalized net income were inability under the Economic Stabilization Act to recapture completely the increased costs of operations and reduction in finance revenue from the shorter credit terms introduced in the Fall of 1972.

Sales through catalog order stores totaled $156 million, a decrease of 3.9% from last year's volume, and represented 39.8% of 1973 catalog sales volume. The decline in catalog order store volume resulted primarily from closing 21 stores in which the return on capital was unsatisfactory. At year end there were 271 units in operation compared to 294 at December 31, 1972. It is likely that additional catalog order stores will be closed in 1974 because of inadequate return on investment. However, Spiegel anticipates that expansion and new store openings will be possible in some existing markets as well as a limited number of new markets meeting customer service objectives.

Changes in the Economic Stabilization Act in 1973 were particularly disadvantageous to Spiegel since pricing decisions are made well in advance of the circulation of catalogs and other sales media. While Phase IV regulations permitted recovery of cost increases from merchandise resources, there was no provision to recover completely increased wage, postage, transportation, and other operational costs.

Merchandise shortages developed in 1973 which seriously affected inventory replenishment and merchandise service. As 1974 unfolds, these merchandise shortages, which have been primarily concentrated in textiles, are spreading to other basic raw materials.

An improved inventory management and control program was initiated in 1973 with the dual objectives of improving

merchandise service and increasing turnover. This program has featured a reorganization and strengthening of merchandise operations complemented by operations research studies to develop more refined techniques to forecast item demand. At year end merchandise inventories were $13.4 million less than a year earlier and inventory turnover of 8.6 times compared favorably to 6.7 of the preceding year.

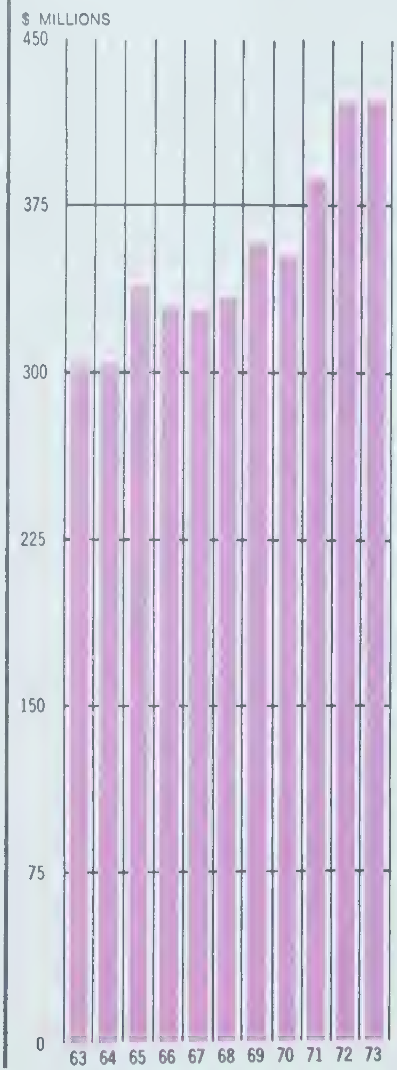
During 1973 Spiegel continued an aggressive marketing campaign designed to increase the number of active customers. At year end there were 2.2 million active customer accounts representing an increase of 3.8% over the previous year end and customer accounts receivable exceeded those of the previous year by $12.2 million, 2.1%. The nominal increase in receivables reflects the effect of the shorter terms offered to new customers commencing in the Fall of 1972. As the customer population affected by the new terms continues to grow, the average contract life will continue to decline and cash flow improve.

Credit acceptance policies for both new and established customers were further refined in 1973. However, an increase in bad debts in the later months of 1973 required strengthened and intensified collection effort. Spiegel contemplates a continuing need for maximum collection effort.

The energy crisis, the likelihood of a continued high level of inflation, and merchandise shortages will all influence consumer behavior in 1974. In coping with these challenges Spiegel plans to stress the convenience and timeliness of catalog shopping.

Net Sales
and Other Revenue

1973	$421,664,000
1972	421,352,000
1971	387,036,000
1970	352,645,000
1969	357,085,000
1968	333,518,000
1967	327,270,000
1966	329,950,000
1965	338,317,000
1964	304,670,000
1963	303,903,000



General

Florida Properties Inc.

Florida Properties Inc. is a subsidiary of Beneficial Corporation, which owns approximately 79.9% of its capital stock. Three Lakes Ranch, Inc., a wholly-owned subsidiary of Florida Properties Inc., owns approximately 64,000 acres of undeveloped land in Osceola County, Florida. Negotiations are in progress for the sale of the capital stock of Three Lakes Ranch, Inc. for approximately $25 million. The land, which was acquired in a number of transactions since 1959, has a book value of $3.3 million. It is hoped that the sale may be concluded during 1974. No contract has been signed for the sale. Any sale would be conditioned upon satisfactory resolution of a number of considerations. If the prospects of the completion of the sale become more certain, the Board of Directors will give consideration to the dissolution and liquidation of Florida Properties Inc.

Beneficial Foundation, Inc.

Beneficial Foundation, organized by Beneficial in 1951, is supported almost entirely by contributions from Beneficial Corporation and its loan and finance subsidiaries. During 1973 the Foundation contributed $309,000 to educational institutions and $134,000 to hospitals, health agencies, and medical research programs. Public service agencies, museums, and cultural organizations were the recipients of grants amounting to $63,000.

New Director

In November of 1973 George R. Evans was elected to fill a vacancy on the Board of Directors. He has been employed by Finance Division subsidiaries since 1935 and became President of Beneficial Finance Co. of Canada in December 1973 and President of Beneficial Management Corporation at the first of this year.

Balance Sheet

Assets

	1973	1972
	(amounts in thousands)	
Cash:		
On hand and unrestricted deposits	**$ 17,105**	$ 10,191
Compensating balance deposits (Note 3)	**33,825**	33,990
Certificates of deposit	**2,687**	2,154
	53,617	46,335
Marketable Securities:		
Bonds, at amortized cost (market value, $76,814 and $69,825)	**76,738**	69,106
Stocks, at cost (market value, $18,552 and $19,945)	**20,512**	17,869
	97,250	86,975
Finance Receivables (Note 2)	**2,077,774**	1,936,330
Less: Unearned Finance Charges	**377,078**	356,641
	1,700,696	1,579,689
Reserve for Possible Credit Losses	**86,736**	82,154
Insurance Policy and Claim Reserves Applicable to Finance Receivables	**47,405**	40,829
	134,141	122,983
Net Finance Receivables	**1,566,555**	1,456,706
Receivable from Spiegel, Inc. and Subsidiaries (Page 25) (Note 4)	**226,391**	249,317
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Western Auto Supply Company (Page 23)	**220,786**	206,721
Spiegel, Inc. (Page 25)	**126,744**	120,738
Other	**8,935**	9,649
	356,465	337,108
Fixed Assets (at cost, less accumulated depreciation and amortization of $12,088 and $10,718)	**23,656**	18,417
Deferred Income Tax Benefits (Note 10)	**27,540**	26,735
Other Assets	**27,980**	35,509
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	**28,086**	28,286
TOTAL	**$2,407,540**	$2,285,388

The Notes to Financial Statements should be

cember 31, 1973 and 1972

Liabilities and Shareholders' Equity

	1973	1972
	(amounts in thousands)	
Short-Term Notes Payable (Note 3):		
Banks	**$ 119,802**	$ 107,767
Commercial Paper	**120,800**	123,385
	240,602	231,152
Employees' Thrift Accounts	**24,997**	24,514
Income Taxes Payable (Note 10)	**9,795**	2,873
Accrued Interest	**24,714**	23,822
Accounts Payable and Other Accrued Liabilities	**17,772**	13,776
Dealers' Reserves	**10,417**	11,000
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	**17,552**	10,118
Long-Term Debt (Note 7)	**1,353,263**	1,302,435
Liability for Incentive Compensation Plan (Note 5)	**5,912**	6,198
Minority Interest in Subsidiaries	**4,886**	4,861
TOTAL LIABILITIES	**1,709,910**	1,630,749
Unrecognized Gain Arising from Translation of Foreign Currencies (Notes 1 and 8)	**8,411**	9,509
SHAREHOLDERS' EQUITY (Notes 6 and 9):		
Preferred Stock	**140,737**	141,159
Common Stock	**18,897**	18,337
Capital Surplus	**39,180**	36,524
Retained Earnings	**490,405**	449,110
TOTAL SHAREHOLDERS' EQUITY	**689,219**	645,130
TOTAL	**$2,407,540**	$2,285,388

nsidered in connection with this balance sheet.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Income and Retained Earnings

Years Ended December 31, 1973 and 1972

FINANCE DIVISION	1973	1972
	(amounts in thousands)	
REVENUE:		
Loan and Finance	**$365,941**	$330,055
Earned Premium and Related Insurance Income	**45,343**	39,726
Investment Income—Insurance	**4,403**	4,121
Other	**630**	3,019
TOTAL	**416,317**	376,921
EXPENSES:		
Interest (after offsetting interest income from non-consolidated subsidiaries, $17,475 and $18,158)	**88,745**	73,507
Salaries and Employee Benefits	**87,094**	81,541
Provision for Possible Credit Losses (after offsetting recoveries on finance receivables previously charged off, $3,532 and $3,834)	**40,756**	34,042
Benefits Paid and Provided For—Insurance	**30,158**	22,499
Advertising, Telephone, Postage, Rent, and Other	**67,920**	62,534
TOTAL	**314,673**	274,123
INCOME BEFORE PROVISION FOR INCOME TAXES	**101,644**	102,798
PROVISION FOR INCOME TAXES:		
U.S. and Foreign (Note 10)	**43,197**	36,582
State and Local	**5,857**	7,558
	49,054	44,140
INCOME FROM FINANCE DIVISION	**52,590**	58,658
MERCHANDISING DIVISION		
INCOME OF NON-CONSOLIDATED MERCHANDISING SUBSIDIARIES:		
Western Auto Supply Company and Subsidiaries	**15,065**	17,146
Spiegel, Inc. and Subsidiaries	**6,006**	7,008
INCOME FROM MERCHANDISING DIVISION	**21,071**	24,154
NET INCOME	**73,661**	82,812
RETAINED EARNINGS, BEGINNING OF YEAR	**449,110**	396,680
TOTAL	**522,771**	479,492
DIVIDENDS ON CAPITAL STOCK:		
Preferred	**10,029**	10,319
Common ($1.20 and $1.10 per share)	**22,337**	20,063
TOTAL DIVIDENDS	**32,366**	30,382
RETAINED EARNINGS, END OF YEAR	**$490,405**	$449,110
EARNINGS PER COMMON SHARE (Page 28):		
Primary (18,705 and 18,413 average shares)	**$3.40**	$3.95
Fully-diluted (24,449 and 24,494 average shares)	**$2.96**	$3.33

The Notes to Financial Statements should be considered in connection with this statement.

Statement of Capital Surplus

Years Ended December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
BALANCE, BEGINNING OF YEAR	**$36,524**	$35,324
Credit relating to distributions of treasury shares of Common Stock in connection with Company's Incentive Compensation Plan (Note 5)	**248**	232
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	**1,761**	724
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	**825**	234
Miscellaneous	**(178)**	10
BALANCE, END OF YEAR	**$39,180**	$36,524

Statement of Changes in Financial Position

Years Ended December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
SOURCE OF FUNDS:		
Operations:		
Net income	**$ 73,661**	$ 82,812
Non-cash charges to income:		
Provision for possible credit losses (before offsetting recoveries)	**44,288**	37,876
Increase in insurance reserves	**14,010**	9,215
Depreciation, amortization, and other	**4,731**	4,035
Total	**136,690**	133,938
Less undistributed net income of non-consolidated subsidiaries	**20,379**	24,389
Total funds provided by operations	**116,311**	109,549
Collections on finance receivables (excluding finance charges included in income)	**937,162**	849,556
Short-term notes payable—net increase (decrease)	**9,450**	(44,503)
Advances to non-consolidated subsidiaries—net decrease (increase)	**26,091**	(8,300)
Income taxes payable—increase (decrease)	**6,922**	(7,381)
Long-term debt issued	**75,000**	238,021
Other	**29,509**	10,025
	$1,200,445	$1,146,967
APPLICATION OF FUNDS:		
New funds lent to customers	**$1,108,918**	$1,020,686
Long-term debt paid	**29,298**	60,264
Increase in marketable securities (at cost)	**10,275**	22,092
Cash dividends	**32,366**	30,382
Other	**19,588**	13,543
	$1,200,445	$1,146,967

The Notes to Financial Statements should be considered in connection with the above statements.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The accompanying financial statements include, after inter-company eliminations, all significant subsidiaries except the merchandising subsidiaries (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries). However, the equity of the Company in the net assets and net income of all subsidiaries is included in the accompanying financial statements. Reference is made to the condensed financial statements of the merchandising subsidiaries, which appear elsewhere in this report.

b) Finance Operations. The statements are prepared to conform with the Industry Audit Guide for Finance Companies recently issued by the American Institute of Certified Public Accountants (AICPA). Certain 1972 amounts have been restated to conform with 1973 classifications.

The statements, with the exception of "Revenue—Loan and Finance" and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable. Such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and Statement of Income, respectively.

Unearned Finance Charges are taken into income as earned and collected under a method that produces results approximating the Rule of 78ths. Income from interest-bearing direct cash loans is taken into income as collected.

The Reserve for Possible Credit Losses is maintained to cover normal losses and to provide for possible extraordinary losses. Receivables considered uncollectible or to require disproportionate collection costs are charged off monthly, but collection efforts are continued.

c) Insurance Operations. Insurance subsidiaries, consolidated for the first time in 1973, are engaged primarily in credit life and credit accident and health insurance. Comparative amounts for 1972 have been restated on the same basis.

To conform with the Insurance Industry Audit Guide recently issued by the AICPA, the financial statements of all the insurance subsidiaries are prepared in conformity with "Generally Accepted Accounting Principles (GAAP)," rather than accounting principles prescribed by state insurance regulatory authorities. The change to GAAP has resulted in no significant change in Net Income for 1973 or prior years. Accordingly, Net Income of prior years has not been changed retroactively and the effect of this change on Retained Earnings at January 1, 1973, an increase of approximately $100,000 is included in "Revenue—Other" in the accompanying Statement of Income for the year ended December 31, 1973.

Earned premium on credit life and accident and health insurance is generally taken into income under the Rule of 78ths.

d) Translation of Foreign Currencies. Assets and liabilities in foreign currencies (principally Canadian) are translated to U. S. dollar equivalents at the market rate at the Balance Sheet date. Translation of foreign operating results is at the average market rate for the period covered by the Statement of Income. Any exchange adjustments resulting from such translations are credited or charged to the Balance Sheet account "Unrecognized Gain Arising from Translation of Foreign Currencies." Any loss in excess of the accumulated unrecognized gain is charged to income.

2. Finance Receivables

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	1973	1972	1973	1972
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost . .	$1,607	$1,528	84	84
Interest-bearing .	344	291	84	84
All Loans	1,951	1,819		
Sales Finance Contracts . . .	127	117	48	48
Total Receivables	$2,078	$1,936		

Contractual maturities of Finance Receivables at December 31, 1973 are as follows:

	1974	1975	1976	1977	1978-1981
Direct Cash Loans:					
Dollar-cost . .	10%	29%	40%	14%	7%
Interest-bearing .	19	22	40	8	11
All Loans .	11	28	40	13	8
Sales Finance Contracts . . .	40	44	15	1	—
Total Receivables	13	29	38	13	7

The above tabulation of contractual maturities

is not a forecast of collections. Experience indicates that a borrower obtains three more cash loans (simultaneously paying off the balance of an existing loan) and remains indebted for approximately 39 months. During 1973 approximately 60% (by number) of the direct cash loans made were to borrowers with existing loan balances. Cash collections on Finance Receivables (excluding finance charges included in income) amount to $937,162,000 for 1973 and $849,556,000 for 1972. The annual collection percentage of average balances was 57.6% and 57.2%.

3. Compensating Balances and Interest Rates, etc.

Compensating balances relate to line of credit loans, which aggregated $107,893,000 at December 31, 1973. The most common compensating balance arrangement is the greater of ten percent of the line of credit or twenty percent of actual borrowings. The use of lines of credit is periodically rotated among the several banks and the unused portion at December 31, 1973 aggregated $246,637,000.

The average interest rate at December 31, 1973 for each category of aggregate short-term borrowings, without giving effect to compensating balances at banks, is 9.83% for banks and 9.30% for commercial paper. Interest rates on bank loans are at prime and maturities range from 1 to 70 days. Interest rates on commercial paper vary with prevailing money market rates and maturities range from 11 to 268 days.

The maximum amount of short-term borrowings outstanding at any month end during the year was $254,600,000. The average short-term borrowings outstanding during the year was $223,500,000 and the applicable average interest rate was 7.68%.

4. Receivable from Spiegel, Inc. and Subsidiaries

Of this amount at December 31, 1973 and 1972 $42,626,000 and $40,521,000 is receivable from Fairfax Family Fund, Inc., a consumer loan company.

Of the total amount at December 31, 1973 and 1972 $22,782,000 and $38,810,000 is subordinated to $70,000,000 of long-term debt payable by Spiegel to a non-affiliated company.

5. Incentive Compensation Plan

The liability for the Incentive Compensation Plan is payable in cash and Common Stock of the Company in equal quarterly instalments over a maximum ten-year period after severance of employment due to death or retirement or (subject to a three-year employment limitation) other termination of employment. The portion of the liability payable in Common Stock amounts to 160,038 shares at December 31, 1973 and 175,985 shares at December 31, 1972.

6. Restrictions on Surplus

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1973 the amount of all Surplus (Capital Surplus and Retained Earnings) free, under the most restrictive of these covenants, is approximately $271,500,000.

7. Long-Term Debt

Long-term debt outstanding December 31 is as follows:

	1973	1972
	(in thousands)	
By Currency:		
United States	$1,259,867*	$1,211,217*
Canadian	64,758	65,176
Swiss	28,638	26,042
Total Long-Term Debt	$1,353,263	$1,302,435
By Maturity:		
1973	$ —	$ 29,306
1974	103,200	102,623
1975	75,452	75,452
1976	154,836	153,139
1977	115,910	113,021
1979-1983	205,000*	205,000*
1984-1988	93,865	93,894
1989-1993	255,000	255,000
1994-1998	200,000	125,000
1999-2002	150,000	150,000
Total Long-Term Debt	$1,353,263	$1,302,435
Weighted Average Annual Interest Rate	6.43%	6.35%

*Includes subordinated debt of $50 million.

8. Foreign Operations

The accompanying financial statements include assets and liabilities in foreign currencies (principally Canadian), after translation to U.S. dollar equivalents, of $296,000,000 and $146,600,000 for 1973 and $274,600,000 and $135,400,000 for 1972. Net income from operations in foreign countries was $11,151,000 and $9,984,000 for 1973 and 1972.

(continued)

Exchange adjustments recorded in the Balance Sheet account "Unrecognized Gain Arising from Translation of Foreign Currencies" amounted to a charge of $1,098,000 in 1973 and a credit of $1,758,000 in 1972.

9. *Capital Stock*

At December 31 shares of capital stock are as follows:

	Issued and Outstanding 1973	1972
Preferred Stock—no par value (issuable in series). Authorized, 500,000	None	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $74,818,900 and $86,184,900). Authorized, 1,164,077	748,189	861,849
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of Common). Authorized, 1,069,204	949,898(b	931,385(b
Common Stock—$1 par value. Authorized, 60,000,000	18,896,752(c	18,337,006(c

After deducting treasury shares and shares held by a consolidated subsidiary

	1973	1972
a)	178,012	178,012
b)	—	46,500
c)	4,861,003	4,756,555

Of the authorized shares shown above as of December 31, 1973, an aggregate of 13,707 shares of $4.30 Preferred are reserved for conversion of Spiegel Subordinated Debentures and 5,417,837 shares of Common are reserved for conversion of $5.50 Preferred, $4.30 Preferred, and Spiegel Subordinated Debentures.

10. *U. S. and Foreign Taxes on Income*

The Company files a consolidated Federal income tax return with all eligible subsidiaries, including the merchandising subsidiaries. The Provision for U. S. and Foreign Income Taxes is comprised of:

	1973	1972
	(in thousands)	
United States:		
Current	$36,846	$29,705
Deferred	(758)	(1,236)
Total U.S.	36,088	28,469
Foreign:		
Current	7,302	8,238
Deferred	(193)	(125)
Total Foreign	7,109	8,113
Total	$43,197	$36,582

Deferred taxes result primarily from the excess of Provision for Possible Credit Losses for financial statement purposes over such amounts allowable as deductions for tax purposes. At December 31, 1973 $23,795,000 of the Balance Sheet account "Deferred Income Tax Benefits" results from such differences and the remainder results from other expenses not yet deducted for tax purposes.

A reconciliation of the effective U. S. and Foreign tax rate on income from the Finance Division before income taxes is as follows:

	1973	1972
	(in thousands)	
Income before Provision for Income Taxes	$101,644	$102,798
Less: Net Income of Other Non-Consolidated Subsidiaries	529	1,327
State and Local Income Taxes	5,857	7,558
	6,386	8,885
Income of Consolidated Companies before Provision for U. S. and Foreign Income Taxes	$ 95,258	$ 93,913
Expected Provision for U. S. and Foreign Income Taxes (at 48%)	$ 45,724	$ 45,078
Expected Tax Rate (as used above)	48.0%	48.0%
Increases (Decreases) in Taxes Resulting from:		
Adjustments of taxes relating to prior years	0.9	(0.6)
Income of U. S. insurance subsidiaries taxed at lower effective rates	(1.9)	(4.3)
Differential between U. S. and foreign tax rates	(1.4)	(0.9)
Adjustments relating to filing consolidated income tax returns	1.0	(1.5)
Other	(1.3)	(1.7)
Effective Tax Rate	45.3%	39.0%
Provision for U. S. and Foreign Income Taxes	$ 43,197	$ 36,582

11. Employees' Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans was $922,000 for 1973 and $1,790,000 for 1972.

12. Leases

Rent expense for real estate was $11,382,000 for 1973 and $10,424,000 for 1972 and for data processing equipment was $1,585,000 and $1,196,000. Real estate leases total 1,820 and generally have an original term of five years with renewal option for a like term. Data processing equipment leases range from six months to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1973 are as follows:

	Real Estate	Data Processing Equipment	Total
		(in thousands)	
1974	$7,511	$ 910	$8,421
1975	6,127	694	6,821
1976	4,696	605	5,301
1977	3,272	605	3,877
1978	1,904	605	2,509
1979-1983	3,410	1,143	4,553
1984-1988	447	—	447

← **Eleven-Year Summary**

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1973 and 1972 and the related statements of income and earned surplus, capital surplus, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Western Auto Supply Company and subsidiaries and Spiegel, Inc. and subsidiaries (non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1973 and 1972 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Newark, N.J.
February 19, 1974

Beneficial Corporation and Consolidated Subsidiaries

Eleven-Year Summary

Years ended December 31	1973	1972	1971
During the Year			
Consolidated			
Net Income	**$ 73,661**	82,812	71,713
Number of Common Shares Outstanding (average) (a) (b)	**18,705**	18,413	18,143
Earnings per Common Share (primary) (dollars) (a)	**$ 3.40**	3.95	3.38
Earnings per Common Share (fully-diluted) (dollars) (a)	**$ 2.96**	3.33	2.87
Cash Dividends Paid per Common Share (dollars) (a)	**$ 1.20**	1.10	1.06⅔
Finance Division			
Volume of Finance Receivables Acquired less Unearned Finance Charges	**$1,739,432**	1,632,869	1,461,770
Number of Finance Receivables Acquired	**2,177**	2,150	1,940
Average Amount of Transaction (dollars)	**$ 799**	759	753
% of Monthly Cash Principal Collections to Average Monthly Balances	**4.80**	4.77	4.68
% of Finance Receivables Charged Off after Offsetting Recoveries to Average Monthly Balances	**1.82**	1.56	1.57
Revenue	**$ 416,317**	376,921	336,057
Interest Expense (after offsetting interest income from non-consolidated subsidiaries)	**$ 88,745**	73,507	65,982
Salaries and Employee Benefits	**$ 87,094**	81,541	73,473
Other Expenses	**$ 138,834**	119,075	99,376
Provision for Income Taxes	**$ 49,054**	44,140	46,776
Income from Finance Division	**$ 52,590**	58,658	50,450
% of Income from Finance Division to Revenue	**12.63**	15.56	15.01
Merchandising Division			
Western Auto Supply Company and Subsidiaries			
Net Sales and Other Revenue	**$ 631,629**	566,579	498,942
Net Income	**$ 15,065**	17,146	15,254
% of Net Income to Net Sales and Other Revenue	**2.39**	3.03	3.06
Spiegel, Inc. and Subsidiaries			
Net Sales and Other Revenue	**$ 421,664**	421,352	387,036
Net Income	**$ 6,006**	7,008	6,009
% of Net Income to Net Sales and Other Revenue	**1.42**	1.66	1.55
Combined			
Net Sales and Other Revenue	**$1,053,293**	987,931	885,978
Income from Merchandising Division	**$ 21,071**	24,154	21,263
% of Income from Merchandising Division to Net Sales and Other Revenue	**2.00**	2.44	2.40
At Year End			
Consolidated			
Total Debt (d)	**$1,618,862**	1,558,101	1,423,438
Shareholders' Equity	**$ 689,219**	645,130	591,612
Ratio of Total Debt to Shareholders' Equity	**2.35 to 1**	2.42 to 1	2.41 to 1
Finance Division			
Finance Receivables less Unearned Finance Charges	**$1,700,696**	1,579,689	1,441,331
% of Unearned Finance Charges to Related Net Finance Receivables	**27.80**	27.68	26.85
Reserve for Possible Credit Losses	**$ 86,736**	82,154	76,448
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges	**5.10**	5.20	5.30
% of Loan Receivables More than Two Months Delinquent (based on account balances)	**1.15**	0.99	0.89
Number of Accounts	**2,250**	2,223	2,105
Average Account Balance (dollars)	**$ 756**	711	685

*Poolings of interests include B Corporation (successor to a previous Beneficial Corporation) for periods prior to merger into March 14, 1968 and Spiegel, Inc. for years prior to 1966. Years prior to 1970 have been restated to reflect Western Acceptance erly a consolidated subsidiary of Beneficial Corporation, as a consolidated subsidiary of Western Auto Supply Company and ye have been restated to reflect the insurance subsidiaries as consolidated in conformity with "Generally Accepted Accoun

All data adjusted for poolings of interests*

1970	1969	1968	1967	1966	1965	1964	1963
(amounts in thousands, except where noted)							
61,521	58,454	55,523	50,506	55,264	54,088	49,265	44,884
17,885	17,488	17,047	16,965	16,531	16,122	15,948	15,847
2.84	2.72	2.58	2.29	2.62	2.58	2.30	2.05
2.46	2.34	2.22	2.01	2.23	2.20	2.06	1.87
1.06⅔	1.06⅔	1.06⅔	1.06⅔	1.06⅔	.97	.78	.73
1,368,832	1,402,672	1,352,295	1,162,047	1,148,152	1,105,807	1,009,598	960,726
1,924	2,120	2,199	2,105	2,207	2,190	2,001	1,924
711	662	615	552	520	505	505	499
4.50	4.85	5.11	5.24	5.21	5.47	5.49	5.54
1.40	1.22	1.26	1.41	1.33	1.23	1.20	1.10
305,445	276,032	244,572	224,633	212,930	190,788	170,150	153,199
69,994	58,541	44,065	37,169	33,347	28,294	25,137	22,007
68,633	63,146	61,137	57,712	52,789	47,021	41,739	38,453
84,642	76,716	69,074	64,790	61,093	57,343	49,442	43,718
39,490	38,283	33,398	29,718	29,691	27,030	26,785	23,853
42,686	39,346	36,898	35,244	36,010	31,100	27,047	25,168
13.98	14.25	15.09	15.69	16.91	16.30	15.90	16.43
461,069	450,667	418,826	391,656	376,323	363,016	352,917	329,773
14,783	15,215	14,861	13,457	13,220	13,686	13,176	11,521
3.21	3.38	3.55	3.44	3.51	3.77	3.73	3.49
352,645	357,085	333,518	327,270	329,950	338,317	304,670	303,903
4,052	3,893	3,764	1,805(c	6,034	9,302	9,042	8,195
1.15	1.09	1.13	0.55	1.83	2.75	2.97	2.70
813,714	807,752	752,344	718,926	706,273	701,333	657,587	633,676
18,835	19,108	18,625	15,262	19,254	22,988	22,218	19,716
2.31	2.37	2.48	2.12	2.73	3.28	3.38	3.11
1,337,433	1,232,399	1,091,634	944,648	915,682	796,958	638,134	571,347
547,700	514,871	483,583	454,916	431,957	401,046	375,544	348,359
2.44 to 1	2.39 to 1	2.26 to 1	2.08 to 1	2.12 to 1	1.99 to 1	1.70 to 1	1.64 to 1
1,366,537	1,267,075	1,135,077	988,752	944,011	853,091	773,858	700,591
25.13	24.86	23.45	22.28	22.38	22.87	22.61	21.54
73,657	69,625	63,408	59,012	55,109	49,936	43,125	38,026
5.39	5.49	5.59	5.97	5.84	5.85	5.57	5.43
0.96	0.90	0.83	0.86	0.74	0.77	0.72	0.71
2,125	2,132	2,121	2,085	2,111	1,955	1,783	1,626
643	594	535	474	447	436	434	431

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a) Adjusted for increase in shares arising from 3-for-2 Common Stock split effective January 31, 1972, stock dividend paid in 1964, etc.

b) Basis for calculation of Earnings per Common Share (primary).

c) Includes profit on sale of foreign subsidiary (net of Federal Income Tax) of $1,243,000.

d) Composed of Short-Term Notes Payable, Employees' Thrift Accounts, and Long-Term Debt.

Western Auto Supply Company and Consolidated Subsidiaries

Condensed Balance Sheet

December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
ASSETS		
Cash	**$ 15,873**	$ 9,317
Notes and Accounts Receivable, less allowance for doubtful receivables of $14,948 and $14,677	**232,308**	203,638
Inventories at lower of cost (first-in, first-out) or replacement market	**142,311**	143,791
Other Current Assets	**15,987**	15,726
Total Current Assets	**406,479**	372,472
Fixed Assets, at cost less accumulated depreciation and amortization of $13,932 and $13,611	**56,081**	41,714
Excess of Cost of Common Stock of Subsidiaries over Equity in Net Assets at Dates of Acquisition	**1,777**	1,837
Other Assets	**749**	717
Total	**$465,086**	$416,740
LIABILITIES AND SHAREHOLDER'S EQUITY		
Notes Payable	**$ 90,703**	$ 68,465
Trade Accounts Payable	**47,190**	33,412
Federal and State Income Taxes Payable:		
Current	**991**	4,222
Deferred	**22,137**	20,546
Other Current Liabilities	**30,159**	30,877
Total Current Liabilities	**191,180**	157,522
Long-Term Debt (Note 2)	**53,120**	52,497
Shareholder's Equity (Note 2)	**220,786**	206,721
Total	**$465,086**	$416,740

Condensed Statement of Income and Retained Earnings

Years Ended December 31, 1973 and 1972

	1973	1972
Net Sales and Other Revenue	**$631,629**	$566,579
Cost of Goods Sold and Operating Expenses, including depreciation and amortization of $4,052 and $3,626	**588,988**	524,822
Net Operating Income	**42,641**	41,757
Interest Expense	**13,831**	7,799
Income before Taxes on Income	**28,810**	33,958
Federal and State Taxes on Income:		
Current	**11,775**	16,069
Deferred	**1,970**	743
Total Federal and State Taxes on Income	**13,745**	16,812
Net Income	**15,065**	17,146
Retained Earnings, Beginning of Year	**133,003**	116,857
Total	**148,068**	134,003
Dividends Paid	**1,000**	1,000
Retained Earnings, End of Year (Note 2)	**$147,068**	$133,003

Western Auto Supply Company and Consolidated Subsidiaries

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Income	**$15,065**	$17,146
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**4,142**	3,461
Funds Provided from Operations	**19,207**	20,607
Proceeds from Issuance of Long-Term Debt	**1,121**	146
Proceeds from Sale of Fixed Assets and Other (net of gains of $253 and $260 respectively)	**571**	1,152
	$20,899	$21,905
APPLICATION OF FUNDS:		
Additions to Fixed Assets	**$18,990**	$16,947
Reductions of Long-Term Debt	**498**	1,190
Cost of Subsidiary in Excess of Fair Value of Net Tangible Assets	**—**	101
Cash Dividends	**1,000**	1,000
Other	**62**	—
Increase (Decrease) in Working Capital:		
Notes and Accounts Receivable	**28,670**	26,990
Inventories	**(1,480)**	22,936
Accounts and Notes Payable	**(36,016)**	(51,337)
Other	**9,175**	4,078
Increase in Working Capital	**349**	2,667
	$20,899	$21,905

Notes to Condensed Financial Statements

1. Accounting Policies

The financial statements include the accounts of Western Auto Supply Company and its wholly-owned subsidiaries.

Finance charges are included in income in the period earned except for finance charges on retail instalment sales which are included in income in the period in which the sales are made.

Included in current receivables are amounts becoming due after one year of approximately $73,310,000 at December 31, 1973 and $67,518,000 at December 31, 1972.

(continued on page 27)

Accountants' Opinion

The Board of Directors of Western Auto Supply Company

We have examined the condensed balance sheets of Western Auto Supply Company and Consolidated Subsidiaries as of December 31, 1973 and 1972 and the related condensed statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned condensed financial statements present fairly the financial position of Western Auto Supply Company and Consolidated Subsidiaries at December 31, 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri
February 15, 1974

PEAT, MARWICK, MITCHELL & CO.

Condensed Balance Sheet

December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
ASSETS		
Cash	**$ 5,459**	$ 3,566
Accounts and Notes Receivable, less allowance for doubtful accounts and collection expenses of $77,805 and $76,643 (Note 1)	**575,086**	561,753
Inventories, at lower of cost (first-in, first-out) or market	**47,553**	60,991
Prepaid Expenses	**9,861**	10,832
Total Current Assets	**637,959**	637,142
Properties, at cost less accumulated depreciation of $18,459 and $18,737	**21,773**	23,325
Other Assets (Note 1)	**7,719**	7,581
Total	**$667,451**	$668,048
LIABILITIES AND SHAREHOLDER'S EQUITY		
Due to Beneficial Corporation (Notes 1 and 2)	**$226,391**	$249,317
Other Current Debt	**2,040**	2,039
Federal and State Income Taxes Payable (Note 1):		
Current	**297**	184
Deferred	**113,451**	94,306
Other Current Liabilities	**40,662**	39,960
Total Current Liabilities	**382,841**	385,806
Long-Term Debt (Note 2)	**157,866**	161,504
Shareholder's Equity (Note 3)	**126,744**	120,738
Total	**$667,451**	$668,048

Condensed Statement of Income and Retained Earnings

Years Ended December 31, 1973 and 1972

	1973	1972
Net Sales and Other Revenue (Note 1)	**$421,664**	$421,352
Cost of Goods Sold, including buying and occupancy expenses	**210,678**	205,645
Selling and Administrative Expenses (Note 4)	**173,202**	175,542
Interest Expense (including $17,600 and $18,184 to Beneficial Corporation)	**26,470**	27,204
Total of Above Costs and Expenses	**410,350**	408,391
Income before Income Taxes	**11,314**	12,961
Provision for Federal and State Income Taxes (Note 1):		
Current	**(13,132)**	(20,307)
Deferred	**18,440**	26,260
Total Provision	**5,308**	5,953
Net Income	**6,006**	7,008
Retained Earnings, Beginning of Year	**78,860**	71,852
Retained Earnings, End of Year (Note 3)	**$ 84,866**	$ 78,860

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Income	**$ 6,006**	$ 7,008
Net Income of Non-Consolidated Subsidiary less Dividend of $600 in 1973 (Note 1)	**(215)**	(686)
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**3,220**	2,890
	$ 9,011	$ 9,212
APPLICATION OF FUNDS:		
Additions to Properties	**$ 1,163**	$ 3,663
Reduction of Long-Term Debt	**3,638**	337
Other	**428**	557
	5,229	4,557
Increase (Decrease) in Working Capital:		
Cash	**1,893**	1,070
Accounts and Notes Receivable	**13,333**	32,173
Inventories	**(13,438)**	11,031
Prepaid Expenses	**(971)**	(663)
Accounts and Notes Payable and Accrued Liabilities	**(703)**	(5,287)
Federal and State Income Taxes Payable	**(19,258)**	(24,460)
Due to Beneficial Corporation	**22,926**	(9,209)
Increase in Working Capital	**3,782**	4,655
	$ 9,011	$ 9,212

Notes to Condensed Financial Statements

1. Accounting Policies

The accompanying financial statements include Spiegel, Inc. and all subsidiaries except a wholly-owned life insurance company. The net assets of the life insurance company of $4,125,000 and $3,910,000 at December 31, 1973 and 1972 respectively are included in Other Assets, and Net Sales and Other Revenue includes $815,000 and $686,000 representing the equity in net income for the years then ended.

Instalment sales represent a substantial portion of sales. For financial statement purposes, the entire amount due and to become due on these sales, which includes the time-price differential, is immediately recorded as sales revenue and accounts receivable, and provision is made for doubtful accounts and collection expenses.

In accordance with generally recognized trade practice, Accounts and Notes Receivable includes amounts becoming due after one year of approximately $348,000,000 and $358,000,000 at December 31, 1973 and 1972, respectively.

For income tax purposes the income arising from instalment sales is reported on the cash collection basis. The income taxes deferred as a result

(continued on page 27)

Accountants' Opinion

The Board of Directors of Spiegel, Inc.

In our opinion, the accompanying condensed balance sheet and the related condensed statements of income and retained earnings and of changes in financial position present fairly the financial position of Spiegel, Inc. and Consolidated Subsidiaries at December 31, 1973 and 1972, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
February 13, 1974

PRICE WATERHOUSE & CO.

Notes to Condensed Financial Statements *(concluded)*

Deferred tax expense results from timing differences in the recognition of income and expense for tax and financial statement purposes. These differences are primarily related to retail credit sales ($1,013,000), depreciation expense ($282,000), and advertising costs ($648,000). Investment tax credits, which are immaterial in amount, are deferred and amortized over an eight year period.

Depreciation of fixed assets is computed using a straight line method over the useful lives of the assets.

The company's policy is to fund current retirement costs including a provision for funding prior service costs over a period of not more than thirty years.

Reserves are maintained to provide for anticipated costs relating to merchandise under warranty.

Pre-opening and start-up costs for new stores and distribution centers are charged to operations as incurred.

2. Long-Term Debt and Restrictions on Retained Earnings

Included in long-term debt are $50,000,000 of 7.85% sinking fund debentures which require sinking fund payments commencing in 1976. The indenture relating to these debentures contains covenants restricting payment of cash dividends and the purchase and retirement of the company's capital stock. At December 31, 1973, the amount of retained earnings unrestricted under these covenants is $57,602,000.

3. Profit Sharing and Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed profit sharing and retirement plans. The amounts charged to expense for the plans for the years ended December 31, 1973 and 1972 were $4,174,000 and $4,355,000 respectively, including normal contributions to fund retirement plan costs of $1,732,000 and $1,370,000 in the respective years. Unfunded prior service costs were $2,244,000 at December 31, 1973.

4. Leases

At December 31, 1973 real property was occupied under 681 separate operating leases expiring from 1974 to 1994 with aggregate minimum annual rentals of $10,083,000. Rentals charged to expense for the years ended December 31, 1973 and 1972 were $17,476,000 and $15,825,000 respectively.

Spiegel, Inc. and Consolidated Subsidiaries

Notes to Condensed Financial Statements *(continued)*

thereof are included in current liabilities as Federal and State Income Taxes Payable—Deferred, which represents the accumulated total of reductions in Federal and state income taxes, arising principally from the use for tax purposes of the cash collection method.

The company's losses for tax purposes in 1973 and 1972 of approximately $28,900,000 and $45,600,000 respectively, arising principally from the use of the cash collection basis for instalment sales, are included in consolidated Federal income tax returns of the company's parent, Beneficial Corporation. As a result, the provisions for current income tax and the liability to Beneficial Corporation have been reduced by $13,900,000 and $21,100,000 respectively. The total provisions for income taxes are approximately the same as they would have been had the company filed separate returns.

Depreciation of property is provided on the straight-line method over the estimated useful lives. Major computer development costs and catalog order store pre-opening expenses are deferred and amortized over a period not in excess of five years.

The company has an unfunded, non-contributory pension plan for eligible hourly-compensated employees. Pension costs charged to operations, including amortization of prior service costs over forty years, aggregated $666,000 and $425,000 for 1973 and 1972, respectively. At December 31, 1973 the actuarially computed excess of vested benefits over balance sheet accruals was approximately $1,900,000.

2. Long-Term Debt

Long-term debt, some of which is secured by property, matures in varying amounts from 1977 to 1992 and bears interest at 4½% to 5.9%.

At December 31, 1973 $22,782,000 of the amount due Beneficial Corporation is subordinated to $70,000,000 of long-term debt payable to a non-affiliated company.

3. Restrictions on Dividends

The debt agreements restrict, as to payment of cash dividends, $55,078,000 of retained earnings at December 31, 1973.

(continued on page 28)

Beneficial Corporation and Consolidated Subsidiaries

Calculation of Earnings per Common Share

Years Ended December 31, 1973 and 1972

	1973	1972
	(amounts in thousands)	
Primary		
NET INCOME	**$73,661**	$82,812
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note A)	**10,015**	10,120
EARNINGS AVAILABLE FOR COMMON STOCK	**$63,646**	$72,692
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note B)	**18,705**	18,413
EARNINGS PER COMMON SHARE	**$3.40**	$3.95
Fully-Diluted (Note C)		
NET INCOME	**$73,661**	$82,812
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note D)	**1,336**	1,271
EARNINGS AVAILABLE FOR COMMON STOCK	**$72,325**	$81,541
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note D)	**24,449**	24,494
EARNINGS PER COMMON SHARE	**$2.96**	$3.33

Notes

A. For 1973 the dividend requirements are calculated on shares outstanding on December 31, except for the $5.50 Dividend Cumulative Convertible Preferred shares, for which the requirements on average shares outstanding during the year were used, because of the large number of shares converted to Common shares. For 1972 the requirements are calculated on shares outstanding on December 31.

B. The average is calculated by using the number of shares outstanding at beginning of period and at end of each month included in the period.

C. Fully-diluted Earnings per Common Share is designed to show the effect on primary earnings per share if all convertible securities had been converted prior to the beginning of the period reported.

D. Dividend requirements on Preferred Stocks are much less in this calculation than in the primary one because it is assumed here that all convertible securities have been converted, thus appreciably increasing the number of Common shares outstanding.

The net saving of interest resulting from conversion of Spiegel Subordinated Debentures has been reflected as a reduction of the Preferred dividend requirements.

Data by Calendar Quarter

	Earnings per Common Share				Net Income					
	Primary		Fully-Diluted		Consolidated		Finance Division		Merchandising Division	
Quarter	**1973**	1972	**1973**	1972	**1973**	1972	**1973**	1972	**1973**	1972
					(in thousands)					
First	**$ .87**	$ .91	**$ .75**	$ .77	**$18,620**	$19,196	**$14,020**	$15,311	**$ 4,600**	$ 3,885
Second	**.89**	.90	**.77**	.77	**19,225**	19,174	**12,839**	13,248	**6,386**	5,926
Third	**.82**	.91	**.72**	.78	**17,777**	19,346	**15,098**	16,021	**2,679**	3,325
Fourth	**.82**	1.23	**.72**	1.01	**18,039**	25,096	**10,633**	14,078	**7,406**	11,018
Total	**$3.40**	$3.95	**$2.96**	$3.33	**$73,661**	$82,812	**$52,590**	$58,658	**$21,071**	$24,154

Spiegel Notes to Condensed Financial Statements *(concluded)*

4. Provision for Doubtful Accounts and Collection Expenses

Provision for doubtful accounts and collection expenses charged to costs and expenses aggregates $42,121,000 and $45,317,000.

5. Leases

Rent expense, principally for catalog offices and data processing equipment, was $5,747,000 and $6,349,000. Minimum rental commitments under non-cancelable leases, net of sub-leases, at December 31, 1973 were: 1974-$2,800,000; 1975-$2,013,000; 1976 - $1,240,000; 1977 - $697,000; 1978-$538,000; and 1979 through 1983-$378,000.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware

Board of Directors

CECIL M. BENADOM
CHARLES W. BOWER
JAMES E. BURD
FREDA R. CASPERSEN
THOMAS W. CULLEN
GEORGE R. EVANS
LEON A. FULTS
J. THOMAS GURNEY
EDGAR T. HIGGINS
ARNOLD T. KOCH
THOMAS A. McGRATH
DeWITT J. PAUL
MODIE J. SPIEGEL
ARTHUR C. SWANSON
WILLIAM E. THOMPSON
ROBERT A. TUCKER
CHARLES H. WATTS, II
RALPH B. WILLIAMS

Director Emeritus

LOUIS FRANKE

Executive Committee

EDGAR T. HIGGINS
Chairman
CECIL M. BENADOM
JAMES E. BURD
ROBERT A. TUCKER

Finance Committee

ROBERT A. TUCKER
Chairman
CECIL M. BENADOM
CHARLES W. BOWER

Officers

EDGAR T. HIGGINS
Chairman of the Board of Directors

CECIL M. BENADOM
President

ROBERT A. TUCKER
First Vice-President

CHARLES W. BOWER
Senior Vice-President and Treasurer

WILLIAM A. GROSS
Senior Vice-President

EDGAR D. BAUMGARTNER
Vice-President and Tax Counsel

JAMES E. BURD
Vice-President

EDWIN M. STOKES
Vice-President and Secretary

RUSSELL W. WILLEY
Vice-President and Controller

CHARLES H. DONOVAN
Auditor

GLENN E. PATON
Assistant Secretary

HAROLD J. ROBINSON
Assistant Secretary

JOHN R. DORAN
Assistant Treasurer

ELMER H. REYNOLDS
Assistant Treasurer

ROBERT F. HAAG
Assistant Controller

Beneficial Management Corporation

SINCE 1914

BENEFICIAL MANAGEMENT CORPORATION, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Executive Committee

CECIL M. BENADOM
Chairman
EDGAR T. HIGGINS
ROBERT A. TUCKER
GEORGE R. EVANS
GORDON L. WADMOND

Officers

GEORGE R. EVANS
President

GORDON L. WADMOND
Executive Vice-President

JOHN BARYLICK, JR.
Senior Vice-President Business Development

RICHARD H. BATE
Senior Vice-President and Associate Counsel

JOSEPH E. CHAUVETTE
Vice-President and Controller

VERNON L. COLLINS
Vice-President Audit

JOHN L. DEAN
Senior Vice-President Planning and Research

EDWARD A. DUNBAR
Senior Vice-President Insurance

JOHN M. FARRELL
Senior Vice-President Community Affairs

ROBERT P. FREEMAN
Senior Vice-President Personnel

LAWRENCE KELDER
Executive Assistant

JOHN L. KELLY
Vice-President and State Tax Counsel

ROBERT MALLOCK
Senior Vice-President Operating

DANIEL J. McCAFFREY
Senior Vice-President Operations

HELMUTH MILLER
Vice-President Public Relations

CLIFFORD W. SNYDER
Vice-President Advertising

RICHARD A. WAGNER
Senior Vice-President Operating

JOHN C. WETZEL
Senior Vice-President Management Information Services

ROBERT C. WETZEL
Senior Vice-President Operating

JAMES D. WARREN
Assistant Vice-President, Secretary, and Associate Counsel

WILLIAM S. PRICKETT
Treasurer

KENNETH J. KIRCHER
Assistant Vice-President, Secretary to Executive and Management Committees, and Associate Counsel

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EDGAR T. HIGGINS
General Counsel

Principal Executives of other Subsidiary Companies

J. E. ALDRIDGE
Vice-President
West Coast Central Department

DAVID G. ALEXANDER
Vice-President
Canada East Department

LOUIS B. BALDWIN
Vice-President
Southern Department

PIERRE E. BASHE
Vice-President
California North Department

GEORGE B. BRUSH
Vice-President
New England Department

LEO R. CARON
Vice-President
Quebec Department

DEWEY O. CASSLER
Vice-President
Tri-State Department

ERNEST H. COLE
Vice-President
Southwest Department

PAUL CONAHAN
Vice-President
Beneficial Finance Co. of New York, Inc.

GEORGE R. EVANS
President
Beneficial Finance Co. of Canada

GRANT H. GENSKE
Vice-President
Northwest Department

THOMAS E. GERRITY
Vice-President
Midwest Department

GERALD L. HOLM
President
Beneficial Data Processing Corporation

R. DONALD QUACKENBUSH
President
Guaranty Life Insurance Company of America

CHARLES L. ROUNSAVALL
Vice-President
Midsouth Department

JOHN B. SCHONE
Managing Director
England

RUDOLPH G. SMATLAK
Vice-President
East Central Department

VERNON G. SMITH
President and Treasurer
Beneficial Finance Co. of New York, Inc.

JOSEPH A. STUBITS
Vice-President
Central Department

BEVAN G. WALKER
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

WILLIAM G. WEISS
Vice-President
Eastern Department

ANTHONY K. WILHELM
Vice-President
Canada West Department

MURRAY W. WILSON
Vice-President
Australia

JOHN F. YARLEY
Vice-President
Gulf Coast Department

Western Auto Supply Company

WESTERN AUTO SUPPLY COMPANY, Kansas City, Missouri, a wholly-owned subsidiary, is a nationwide organization selling at retail and wholesale a wide variety of merchandise, primarily durable goods.

Corporate Officers

LEON A. FULTS
President

KENNETH L. BROWN
Vice-President and Controller

JOSEPH C. GRISSOM
Vice-President

WILLIAM F. HOOTEN
Vice-President

LOUIS L. POPLINGER
Vice-President and Secretary

R. T. RENFRO
Vice-President

HARRY W. SCHLOSSER
Vice-President

THOMAS M. WARNE
Vice-President

HERBERT D. FROEMMING
Treasurer

HARRY L. ABBOTT
Assistant Treasurer

RALPH L. WRIGHT
Assistant Secretary

Appointed Vice-Presidents

Retail—Regional

KEITH G. BRANDT
JERRY D. DEMONBREUN
JOHN FINAMORE
DAVID E. JACKSON
LOUIS H. KUNTZ
EUGENE A. RENNER
JOHN B. WISSMAN

Wholesale—Regional

NORMAN C. BARRY
VERNON R. BROWN
ARTHUR CASCIARO
MAX H. TOOLEY
J. CLEMAN WILSON

Operations—Regional

JOSEPH F. BORNHEIMER
CLINT R. HOBBS
ROBERT E. LANDIS
CARL W. MAHAN
ROBERT L. TAGUE

JACK BAIRD
Vice-President
Personnel and Industrial Relations

BRUCE S. BRYAN
Vice-President
Retail Credit

PHILIP E. LONG
Vice-President
Inventory Management

Principal Officers of Subsidiaries

JOHN W. LANE
President
Midland International Corporation

ALVIN L. ESBIN
President
Eva Gabor International, Ltd.

Spiegel, Inc.

SPIEGEL, INC., Chicago, Illinois, a wholly-owned subsidiary, is engaged in the sale of merchandise, primarily soft goods, principally by mail and order stores through catalogs.

Officers

JAMES E. BURD
Chairman of Board of Directors

EDWARD J. SPIEGEL
President

NATHAN N. BRAVERMAN
Executive Vice-President

WILLIAM E. COWAN
Executive Vice-President

ARTHUR A. POMPER
Executive Vice-President

ALBERT R. BELL
Vice-President and Secretary

JULIAN A. ALTMAN
Treasurer-Controller

LEONARD A. GITTELSOHN
Vice-President

WILLIAN M. GIUNTOLI
Vice-President

CYRIL J. NIEMEC
Vice-President

MILTON J. SHAPIN
Vice-President

PAUL A. STINNEFORD
Assistant Vice-President

MICHAEL R. MORAN
Assistant Treasurer-Controller

HARRY J. GRANAT
Assistant Secretary

MEYER SHEINFELD
Assistant Secretary

CAROLINE M. BIGGS
Assistant Treasurer

CLASSES OF STOCK	TRANSFER AGENTS	REGISTRARS
COMMON	Irving Trust Company, N. Y.	Chemical Bank, N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago
5% CUMULATIVE PREFERRED	Irving Trust Company, N. Y.	Manufacturers Hanover Trust Company, N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED	Morgan Guaranty Trust Company of New York	First National City Bank, N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 DIVIDEND CUMULATIVE PREFERRED	Bankers Trust Company, N. Y.	The Chase Manhattan Bank, N. A., N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 DIVIDEND CUMULATIVE PREFERRED (CONVERTIBLE)	Manufacturers Hanover Trust Company, N. Y.	The Chase Manhattan Bank, N. A., N. Y.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago

Beneficial Corporation